中教控股
CHINA EDUCATION GROUP

China Education Group Holdings Limited
中國教育集團控股有限公司

(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "ChinaEdu中教常春藤")

(Stock Code: 839)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

The Board is pleased to announce the interim results of the Group for the six months ended 29 February 2020.

HIGHLIGHTS

	At 29 February 2020	At 28 February 2019	**Change**	**Change** *(Percentage)*
Student enrollment	**181,826**	147,414	**34,412**	**+23.3%**
Schools	**10**	7	**3**	**+42.9%**
	Six months ended 29 February 2020 ***(RMB million, unless specified)***	Six months ended 28 February 2019 *(RMB million, unless specified)*	**Change** ***(RMB million)***	**Change** ***(Percentage)***
Revenue	**1,315.2**	927.3	**387.9**	**+41.8%**
Gross profit	**757.3**	536.4	**220.9**	**+41.2%**
Net profit	**541.2**	343.9	**197.3**	**+57.4%**
Net profit attributable to owners of the Company	**497.6**	299.6	**198.0**	**+66.1%**
Adjusted net profit attributable to owners of the Company [(i)]	**491.0**	373.0	**118.0**	**+31.6%**
Adjusted EBITDA [(i)]	**740.4**	541.5	**198.9**	**+36.7%**
Baseline gross profit margin [(ii)]	**59.8%**	57.8%		**+200 basis points**

Total bank balances and cash was recorded RMB2,765.7 million as at 29 February 2020.

The Board declared an interim dividend of HK13.4 cents per ordinary Share for the six months ended 29 February 2020 (for the six months ended 28 February 2019: HK3.5 cents) to be paid by cash on Friday, 22 May 2020, to Shareholders whose names appear on the register of members of the Company on Wednesday, 13 May 2020.

Notes:

(i) Please refer to the Financial Review section for methods preparing the Adjusted net profit and Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA").

(ii) On a like-for-like basis for institutions excluding any schools newly acquired after the comparative period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The financial results for the six months ended 29 February 2020 and 28 February 2019 are as follows:

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
Revenue	**1,315,222**	927,304
Cost of revenue	**(557,881)**	(390,906)
Gross profit	**757,341**	536,398
Other income	**45,475**	48,438
Selling expenses	**(60,952)**	(24,803)
Administrative expenses	**(179,127)**	(174,532)
Operating profit	**562,737**	385,501
Investment income	**11,781**	11,337
Other gains and losses	**26,576**	(19,754)
Finance costs	**(51,192)**	(33,066)
Profit before taxation	**549,902**	344,018
Taxation	**(8,718)**	(146)
Net profit	**541,184**	343,872
Net profit attributable to owners of the Company	**497,625**	299,648
Adjusted net profit attributable to owners of the Company	**490,986**	373,030

Revenue

The Group's revenue reached RMB1,315.2 million for the six months ended 29 February 2020, up 41.8% as compared to RMB927.3 million for the six months ended 28 February 2019. The increase reflected students' strong demand for quality higher and vocational education offered by the Group and the effective execution of the Group's expansion strategy.

Higher Education Segment

Revenue from higher education segment increased from RMB599.1 million for the six months ended 28 February 2019 to RMB872.4 million for the six months ended 29 February 2020, representing a 45.6% increase.

The significant increase in revenue of higher education institutions was mainly driven by the organic growth in student enrollment and tuition fees of existing higher education institutions and the inclusion of two new institutions, namely Shandong Quancheng University and Chongqing Translators University (which became consolidated affiliated entities of the Group in March 2019 and July 2019 respectively), to the Group.

Vocational Education Segment

Revenue from vocational education segment increased from RMB328.2 million for the six months ended 28 February 2019 to RMB374.9 million for the six months ended 29 February 2020, representing a 14.2% increase.

The significant increase in revenue of vocational education institutions was mainly driven by organic growth in student enrollment and tuition fees of three vocational education institutions.

Global Education Segment

The Group newly included a global education institution during the reporting period. The Group's operation also successfully established global education segment. Revenue from global education segment was RMB67.9 million for the six months ended 29 February 2020. No such amount was recorded in the same period of last year.

Cost of Revenue

The cost of revenue increased from approximately RMB390.9 million for the six months ended 28 February 2019 to approximately RMB557.9 million for the six months ended 29 February 2020, representing a 42.7% increase. The increase was due to the expansion of the Group, the growth of student number and the cost structure of the newly joined independent colleges, namely Shandong Quancheng University and Chongqing Translators University (which became consolidated affiliated entities of the Group in March 2019 and July 2019 respectively), which pay a partnership fee to their public school co-sponsors. Such partnership costs are expected to cease to exist after the independent colleges are converted to full private higher education schools and will drive the increase of the margins.

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB757.3 million for the six months ended 29 February 2020 as compared to RMB536.4 million for the six months ended 28 February 2019. The gross profit margin was 57.6% for the six months ended 29 February 2020 as compared to 57.8% for the six months ended 28 February 2019. On a like-for-like basis for institutions (excluding the schools newly acquired after the comparative period), the gross profit margin was 59.8% for the six months ended 29 February 2020, up 200 basis points as compared to the same period of last year, which demonstrated the improvement in the schools' operations under the Group's management. The management's plan is to further improve the operations and enhance the profit margins of the newly acquired schools and the whole Group to levels that are comparable to the Group's existing mature schools through the Group's operational expertise.

Other Income

Other income primarily included academic administration income, management fee income and government grants.

Selling Expenses

The Group's selling expenses was RMB61.0 million for the six months ended 29 February 2020 as compared to RMB24.8 million for the six months ended 28 February 2019. The significant increase in selling expenses incurred for the six months ended 29 February 2020 was mainly due to the inclusion of an overseas school which had higher proportion of selling expenses to its costs.

Administrative Expenses

The Group's administrative expenses was RMB179.1 million for the six months ended 29 February 2020 as compared to RMB174.5 million for the six months ended 28 February 2019. It represented about 13.6% of the revenue for the six months ended 29 February 2020 and was decreased as compared to that of 18.8% for the six months ended 28 February 2019 which was mainly attributable to the reversal of share-based payments under share option scheme. During the six months ended 29 February 2020, the Group recognised a reversal of RMB8.8 million of share-based payments as compared to a charge of RMB26.3 million of share-based payments during the six months ended 28 February 2019.

Operating Profit

The operating profit amounted to RMB562.7 million for the six months ended 29 February 2020, increased by 46.0% as compared to RMB385.5 million for the six months ended 28 February 2019. The increase was mainly due to the organic growth of the existing schools and the inclusion of new schools.

Other Gains and Losses

The other gains and losses were recorded at net gain of RMB26.6 million for the six months ended 29 February 2020 which was mainly attributable to the fair value gain on financial assets at fair value through profit or loss of RMB21.7 million and the foreign exchange net gain of RMB14.5 million, as a result of appreciation of Renminbi against US dollars and Hong Kong dollars during the current period.

Finance Costs

The finance costs of RMB51.2 million for the six months ended 29 February 2020 mainly represented the interest expenses on bank and other borrowings and imputed interest on deferred cash considerations.

Net Profit and Net Profit Margin

Calculation of Adjusted Net Profit

		Six months ended	
		29 February 2020	28 February 2019
		RMB'000	*RMB'000*
Net profit		**541,184**	343,872
Adjustments for :	Foreign exchange gain/loss	**(14,486)**	22,556
	Share-based payments	**(8,806)**	26,331
	Imputed interest on deferred cash considerations	**14,300**	24,495
	Fair value change on convertible bonds	**2,353**	–
Adjusted net profit		**534,545**	417,254

Calculation of Adjusted Net Profit attributable to owners of the Company

		Six months ended	
		29 February 2020	28 February 2019
		RMB'000	*RMB'000*
Net profit attributable to owners of the Company		**497,625**	299,648
Adjustments for :	Foreign exchange gain/loss	**(14,486)**	22,556
	Share-based payments	**(8,806)**	26,331
	Imputed interest on deferred cash considerations	**14,300**	24,495
	Fair value change on convertible bonds	**2,353**	–
Adjusted net profit attributable to owners of the Company		**490,986**	373,030

The Group's net profit was RMB541.2 million for the six months ended 29 February 2020, representing an increase of 57.4% compared to RMB343.9 million for the six months ended 28 February 2019. The net profit margin was increased from 37.1% for the six months ended 28 February 2019 to 41.1% for the six months ended 29 February 2020.

Adjusting for the foreign exchange gain/loss, share-based payments, imputed interest on deferred cash considerations and fair value change on convertible bonds, adjusted net profit was increased by 28.1% from RMB417.3 million for the six months ended 28 February 2019 to RMB534.5 million for the six months ended 29 February 2020. The adjusted net profit attributable to owners of the Company was increased by 31.6% to RMB491.0 million for the six months ended 29 February 2020. The adjusted net profit margin was decreased from 45.0% for the six months ended 28 February 2019 to 40.6% for the six months ended 29 February 2020. The decrease in adjusted net profit margin was mainly due to the inclusion of new schools which had lower net profit margins as compared to the existing and more mature schools of the Group. On a like-for-like basis for institutions (excluding the schools newly acquired after the comparative period), the net profit margin was 48.1% for the six months ended 29 February 2020 as compared to 46.4% for the six months ended 28 February 2019, up 170 basis points as compared to the same period of last year.

Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA is calculated as profit before taxation adding back finance costs, depreciation of property, plant and equipment and amortisation of intangible assets and prepaid lease payments. EBITDA was increased by 54.5% to RMB761.3 million for the six months ended 29 February 2020 from RMB492.6 million for the six months ended 28 February 2019. Adjusting for the foreign exchange gain/loss, share-based payments and fair value change on convertible bonds, adjusted EBITDA was increased by 36.7% from RMB541.5 million for the six months ended 28 February 2019 to RMB740.4 million for the six months ended 29 February 2020.

Property, Plant and Equipment

Property, plant and equipment as at 29 February 2020 increased by 11.9% to approximately RMB6,544.2 million from approximately RMB5,850.8 million as at 31 August 2019. Increase in property, plant and equipment was mainly due to the construction of Guangdong Baiyun University's new campus and the acquisition of land and properties adjacent to Shandong Quancheng University.

Total Bank Balances and Cash

Including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits, the total bank balances and cash amounted to approximately RMB2,765.7 million as at 29 February 2020 (31 August 2019: RMB4,254.4 million). The cash was mainly used for school acquisition and construction of campuses.

Capital Expenditures

Our capital expenditures for the six months ended 29 February 2020 were approximately RMB532.3 million and were primarily related to construction of new campus of Guangdong Baiyun University and new buildings at existing schools.

Liquidity, Financial Resources and Gearing Ratio

As at 29 February 2020, the Group had total bank balances and cash (including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits) of approximately RMB2,765.7 million (31 August 2019: RMB4,254.4 million).

As at 29 February 2020, the Group had bank and other borrowings and convertible bonds of approximately RMB4,271.1 million (31 August 2019: RMB4,266.6 million). Certain bank and other borrowings and proceeds from convertible bonds were not yet utilised. In order to have a better use of our financial resources, the Group purchased certain structured deposits and money market funds during the six months ended 29 February 2020. The structured deposits and money market funds were short-term liquidity management products with minimal risk exposure and the Group held these investments for short-term cash management purpose.

As at 29 February 2020, the gearing ratio (which is calculated on the basis of total borrowings and total equity of the Group) and the net gearing ratio (which is calculated on the basis of total borrowings, net of total bank balances and cash, and total equity of the Group) were 60.0% (31 August 2019: 60.9%) and 21.1% (31 August 2019: 0.2%), respectively.

Foreign Exchange Risk Management

During the six months ended 29 February 2020, the Group mainly operated in the PRC and Australia. The majority of the Group's revenue and expenditures are denominated in Renminbi and Australian dollars, the functional currencies of the relevant territories, except that certain expenditures are denominated in Hong Kong dollars and US dollars. The Group also has certain foreign currency bank balances, other payables, other borrowings and convertible bonds denominated in Hong Kong dollars and US dollars, which would expose the Group to foreign exchange risk. After assessing the cost and benefit, the Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

As at 29 February 2020 and 31 August 2019, 50% of the equity interest of Huajiao Education owned by the Group was pledged to International Finance Corporation to secure banking facilities granted to the Group. Details of the banking facilities were set out in the announcement of the Company dated 31 May 2018.

Save as above, there was no other material charge on the Group's assets as at 29 February 2020 and 31 August 2019.

Contingent Liabilities

As at 29 February 2020 and 31 August 2019, the Group had no significant contingent liability.

BUSINESS OVERVIEW

The Group is a leading global higher and vocational education group with footprints in China and Australia, visioning to provide quality education through innovation. As at 29 February 2020, the Group's school network includes six higher education institutions and three vocational education institutions in China, including the No.1 ranked private university in the country, and a higher education institute in Sydney, Australia. The Group is also the largest listed higher and vocational education provider in China in terms of student enrollment; as at 29 February 2020, the Group enrolled approximately 182,000 students. After the reporting period, the Group has further expanded its business to the United Kingdom ("UK").

The Group offers a broad range of programmes and curricula. As at 29 February 2020, the Group offered four master's degree programmes, 217 bachelor's degree programmes, 72 junior college diploma programmes, 149 vocational education programmes and 117 continuing education programmes. The disciplines provided by us covered around 98% of undergraduate students' choices and 93% of junior college students' choices in China in 2019/2020 academic year.

School Consolidated into the Group During the Reporting Period

During the six months ended 29 February 2020, the Group acquired King's Own Institute in Sydney, Australia and the school became a wholly-owned subsidiary of the Company during the reporting period. Through welcoming King's Own Institute to the Group's school network, the Group has expanded its school portfolio from nine schools (as at 31 August 2019) to ten schools and become one of the most international higher and vocational education groups in China.

King's Own Institute is a tertiary level higher education institution that has three locations in central Sydney, New South Wales, Australia and is accredited in Australia and recognised in PRC. As at 29 February 2020, King's Own Institute offers 15 accredited postgraduate and undergraduate degree programmes in Accounting, Business, IT and TESOL (Teaching English to Speakers of Other Languages) to both Australian domestic and international students and its programmes have been accredited by relevant industry bodies including Chartered Accountants Australia and New Zealand (CA ANZ), Certified Practising Accountant Australia (CPA Australia), and The Institute of Public Accountants (IPA Australia).

Student Enrollment

As at 29 February 2020, the Group operated in three business segments and its school network includes six higher education institutions and three vocational education institutions in China, and a higher education institute in Sydney, Australia, with a total enrollment of 181,826 students, up 23.3% from the enrollment as at 28 February 2019. The rapid increase in student enrollment is attributable to the organic growth in students enrolled in our existing schools, as well as those from the three new schools joining the Group, during the year ended 29 February 2020.

Business Segment	As at 29 February 2020	As at 28 February 2019
Higher Education Segment	**111,759**(i)	80,265(ii)
Vocational Education Segment	**67,828**	67,149
Global Education Segment	**2,239**	–(iii)
Total	**181,826**	147,414

Notes:

(i) Included 23,790 students enrolled in the continuing education programmes as at 29 February 2020.

(ii) Included 19,171 students enrolled in the continuing education programmes as at 28 February 2019.

(iii) The school in this business segment has 2,058 students as at 28 February 2019. However, such number is excluded from the total as the Group did not have this segment as at 28 February 2019.

Tuition Fees and Boarding Fees

In general, we adjust our tuition fees between 0% and 30% among various programmes on an annual basis. The tuition fee adjustment is determined by our school management teams subject to the operating costs and market conditions. The following table sets forth the listed tuition fees and boarding fees of our respective schools' as at 29 February 2020 for the 2019/2020 academic year.

	Listed tuition fees(i) in academic year		Boarding fees(i) in academic year	
	2019/2020	2018/2019	**2019/2020**	2018/2019
	RMB	*RMB*	***RMB***	*RMB*
Higher Education Segment				
Jiangxi University of Technology				
Bachelor's degree programmes	**19,000–26,000**	16,000–23,000	**1,800–2,500**	1,600–2,300
Junior college diploma programmes	**14,500–17,000**	13,500–16,000	**1,800–2,500**	1,600–2,300
Continuing education programmes	**2,500–6,000**	2,500–5,000	**N/A**	N/A
Guangdong Baiyun University				
Bachelor's degree programmes	**20,000–30,000**	19,000–30,000	**1,500–3,000**	1,500
Junior college diploma programmes	**30,000**	30,000	**1,500–3,000**	1,500
Continuing education programmes	**2,500–6,000**	3,000–6,000	**N/A**	N/A
Chongqing Translators University				
Bachelor's degree programmes	**12,000–18,000**	13,000–17,000	**900–1,300**	900–1,300
Guangzhou Songtian University				
Bachelor's degree programmes	**26,000–28,000**	23,000–25,000	**1,500**	1,500

	Listed tuition fees(i) in academic year		Boarding fees(i) in academic year	
	2019/2020	2018/2019	**2019/2020**	2018/2019
	RMB	*RMB*	***RMB***	*RMB*
Shandong Quancheng University				
Bachelor's degree programmes	**11,000–17,000**	11,000–14,800	**800–1,200**	800–1,200
Junior college diploma programmes	**8,000–12,000**	8,000	**800–1,200**	800–1,200
Songtian Polytechnic College				
Junior college diploma programmes	**13,500–16,500**	13,500–16,500	**1,500**	1,500
Vocational Education Segment				
Xi'an Railway College				
Technician diploma programmes	**9,800–10,800**	9,800–10,800	**1,500**	1,500
Zhengzhou Transit School				
Secondary vocational diploma programmes	**7,900–8,600**	7,900–8,600	**1,200**	1,000
Baiyun Technician College				
Post-secondary vocational diploma programmes	**12,500–15,000**	12,500–15,000	**1,500**	1,500
Secondary vocational diploma programmes	**12,000–14,500**	12,000–14,500	**1,500**	1,500
Technician diploma programmes	**13,500–15,500**	13,500–15,500	**1,500**	1,500
	AUD	*AUD*		
Global Education Segment				
King's Own Institute (Australia)(ii)(iii)(iv)				
Master's degree programmes	**7,500–8,500**	7,250–8,000		
Graduate certificate programmes	**7,500–8,500**	7,250–8,000		
Graduate diploma programmes	**7,500–8,500**	7,250–8,000		
Bachelor's degree programmes	**6,500–7,250**	6,250–7,000		
Undergraduate diploma programmes	**6,500–6,750**	6,250–6,500		

Notes:

(i) Tuition fees and boarding fees reported to regulatory authorities.

(ii) Tuition fees are same for both domestic and international students.

(iii) Tuition fees per trimester.

(iv) King's Own Institute's tuition fee as at 28 February 2019 for the 2018/2019 academic year is listed out for reference only as it was not yet in our school network in the 2018/2019 academic year.

Awards and Recognitions Received During the Reporting Period

We have received numerous awards and recognitions during the six months ended 29 February 2020 in recognition of the quality of education we provide and the outstanding achievements of our operation. The following table sets forth some of the awards and recognitions we have received.

	Award/Accreditation	Awarding Organisation(s)
Higher Education Segment		
Jiangxi University of Technology	Harmonious/Safe Campus in Jiangxi Province (江西省平安校園)	Education Department of Jiangxi Province (江西省教育廳)
Guangdong Baiyun University	Outstanding Contribution Award of Contemporary Private School in Guangdong Province (廣東當代民辦學校突出貢獻獎)	Guangdong Provincial Society of Education, etc. (廣東教育學會等)
	Vice-chairman of Education Evaluation Association in Guangdong Province (廣東省教育評估協會副會長單位)	Education Evaluation Association of Guangdong Province (廣東省教育評估協會)
Chongqing Translators University	Best Organization Award for Large-scale Volunteering Service Event in Chongqing Municipality in 2019 (2019年重慶市大型賽會志願者服務工作一最佳組織)	Youth Volunteers Association of Chongqing Municipality (重慶市青年志願者協會)
Guangzhou Songtian University	First and Third Prize of the 11th National Advertising and Art Design Competition for College Students in 2019 (2019第十一屆全國大學生廣告藝術大賽一等獎、三等獎)	Education Department of Guangdong Province (廣東省教育廳)
	Second Prize (of University in Guangdong Province) in 2019 National Undergraduate Mathematical Modeling Competition (2019年全國大學生數學建模競賽廣東賽區二等獎)	Education Department of Guangdong Province and China Society for Industrial and Applied Mathematics (廣東省教育廳，中國工業與應用數學學會)
Shandong Quancheng University	The Most Influential University in Shandong Province in 2019 (2019年度山東最具影響力本科院校)	Sina, Weibo and Sina Shandong (新浪，微博，和新浪山東)
	Best Social Reputation University in Shandong Province (山東最佳社會聲譽高校)	Internet Media Group of Shandong Province (山東省互聯網傳媒集團)

	Award/Accreditation	Awarding Organisation(s)
Vocational Education Segment		
Xi'an Railway College	Second Prize in National Rail Transportation Operation & Management Comprehensive Application Contest in 2019, Northern Division (2019年全國軌道交通運營管理綜合應用行業賽北方賽區團體二等獎)	China Communications Industry Association and The Industry and Education Alliance of China Communications Industry Association (中國通訊工業協會，中國通訊工業協會軌道交通產教聯盟)
Zhengzhou Transit School	Certificate of ISO29990 Quality Management System (ISO29990質量管理體系證書)	DQS AP Ltd (德世愛普認證(上海)有限公司)
	Certificate of GC-MARK (GC-MARK特色證書)	DQS AP Ltd (德世愛普認證(上海)有限公司)
	Outstanding Organisation in Education and Teaching in Xinzheng City (新鄭市教育教學工作先進單位)	The People's Government of Xinzheng City (新鄭市人民政府)
	China Social Organization Evaluation Grade — AAAA (中國社會組織評估等級—AAAA)	Zhengzhou Civil Affairs Bureau (鄭州市民政局)
Baiyun Technician College	Outstanding Contribution Award to WorldSkills Kazan 2019 (「在第45屆世界技能大賽工作中做出傑出貢獻，予以記大功」)	The People's Government of Guangdong Province (廣東省人民政府)
	Cantonese Cuisine Chef Training Base of Guangdong Province (廣東省粵菜師傅培訓基地)	Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)
	Outstanding Organisation in High Quality Technician Education Development in Guangzhou City in 2019 (2019年廣州市技工教育高質量發展工作優秀單位)	Guangzhou Municipal Human Resources and Social Security Bureau (廣州市人力資源和社會保障局)
	Outstanding Organisation in the 3rd Technician Institutes Microlecture Contest of Guangdong Province (第三屆全省技工院校微課比賽優秀組織獎)	Guangdong Vocational and Technical Education Research Office (廣東省職業技術教研室)

OUTLOOK

We believe that China's private higher and vocational education sector is on a secular growth trend and there is significant potential with opportunities. In China today, there are over 700 private higher education institutions (including private universities, private junior colleges and independent colleges) and thousands of private vocational schools. The ownership and operation of these institutions and schools are scattered; this translates into huge potential Merger and Acquisition ("M&A") opportunities as well as significant room for enhancing the quality of education at the schools.

On 10 August 2018, the Ministry of Justice of the PRC issued Draft Amendments on the Implementation Rules for the Law for Promoting Private Education (the "Proposed Implementation") (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) to seek views and comments on the proposed changes. The key objectives of the Proposed Implementation are to foster the steady growth and healthy development of the private education in China. We believe the Proposed Implementation is beneficial and favorable to the development of the private higher and vocational education sector.

As an industry leader and drawing on the strategic advantages of our scale and history of operations in the education business, brand reputation, education quality, preparation of students for employment and resources for school-enterprise collaboration, we will strive to integrate private education resources and enlarge our market share as we enhance the quality of education in our schools, and ultimately to provide excellent education services to more students.

Acquisition and Integration

We have formulated our M&A strategy to achieve our growth target taking into account the high entry barrier of the higher education sector. Thus far, our M&A team, strong and with high execution capability, has already reviewed over 380 potential M&A targets since our Listing and some of them are presently in due diligence process. We plan to explore more acquisition opportunities with attractive growth potential and expect more schools to join the Group in the future.

We have a track record of successfully integrating newly acquired schools into our Group. The increasing student enrollment and the newly acquired schools coming with potential for quality improvement are proof of our capability to integrate and identify new schools with promising growth prospects. We believe China's private higher and vocational education sector is on a strong growth trend with attractive potential and opportunities. Going forward, building on our industry leadership and 30 years' education excellence and in fulfilling our mission of 'To Pioneer Excellence and Innovation in Education', we will adhere to our business strategies, endeavor to provide excellent quality education to more students.

Independent College Conversions

Education regulatory authorities in PRC have directed that the conversion of independent colleges into full private universities is a top priority in the establishment of higher education institutions. The Group believes such conversion will present significant opportunities in expanding the enrollment as well as improving the education quality and efficiency of independent colleges, and the Group has strategically acquired three high-quality independent colleges - namely, Chongqing Translators University, Guangzhou Songtian University, and Shandong Quancheng University. Benefiting from regulatory authorities' favorable policy support, the Group is actively promoting the conversion of its three independent colleges.

Development of New Campuses

The "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區發展規劃綱要》) designates the Greater Bay Area as an "education and talent highland". Guangdong Province is also the province in China with the highest and fastest population growth. Higher education in Guangdong Province demonstrates a huge development potential with the economic and population growth creating a strong demand for quality education. The Group plans to further expand in the Greater Bay Area through M&A as well as campus expansion.

Guangdong Baiyun University's New Campus

With a site area of approximately 750 mu, Guangdong Baiyun University's new campus in Guangzhou, Guangdong Province, the PRC, is to be developed in two phases — phase one with a capacity of 8,000 students commenced operation in September 2019, and phase two with a capacity of 18,000 students has been proceeding as planned and is expected to be completed in Summer 2021.

Guangzhou Songtian University's New Campus

In response to the increasing demand for admissions, the Group signed an agreement with Zhaoqing New District Government which will supply the Group with a total area of land up to 1,500 mu for the establishment of a new university campus with a capacity of approximately 30,000 students.

International Education

With the acceleration of globalisation, China has become the largest international student export country and an important destination for study in the world. The Group acquired King's Own Institute (Australia) in October 2019 and entered into a cooperation agreement with Richmond, The American International University in London (UK) subsequent to the reporting period, to provide quality global education resources such as bachelor and master's degrees in business, art, IT and TESOL to students. The above two universities are located in Sydney, Australia and London, UK respectively, which are some of the most popular destinations among Chinese students and have propitious market prospects.

The Group has extensive experience in operating international education programmes, including exchange programmes and joint-education programmes in 11 languages and in partnership with 78 overseas institutions in 22 countries. The Group has four schools in Guangzhou, the capital city of Guangdong Province, which is an important strategic location of the Group and one of the largest provinces in China in sending student abroad. In addition, the Group operates a school specialising in international education and foreign languages in Chongqing. Both with proven growth track records, the Group and King's Own Institute's synergy are also evident in their well-aligned programme offerings and student-centric education cultures, sharing the same vision and an unwavering belief in offering excellent and innovative education with a prime focus on the student experience.

The acquisition of King's Own Institute will further enhance the Group's international education capabilities and enable the Group to prepare students for an increasingly globalised world. Australia is reputed worldwide for offering first-class higher education and is one of the world's most popular destinations for study. The acquisition will also open up opportunities for King's Own Institute to recruit more outstanding Chinese students, and as a result, provide the Group with attractive growth potential in the thriving international higher education market for more diversified and higher revenue.

The Group is in the process of developing tailored international bridging programmes, such as 2+2, 3+1, 2+2+1 and 3+1+1, to students who are intended to study abroad, and gradually and ultimately establishing comprehensive, distinctive and diversified international education programmes.

Entering into a Framework Agreement for the Establishment of China Education Fund

On 29 June 2018, the Group entered into the framework agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of the China Education Fund, with a targeted asset under management of RMB5 billion. The Group (and/or its affiliates and nominee(s)) and Value Partners Group Limited (and/or its subsidiary(ies)) will make an initial contribution of RMB250 million and RMB370 million, respectively, to the China Education Fund. Huajiao Education Investing Management (Ganzhou) Company Limited and VP Shenzhen are the co-sponsor of the China Education Fund. The Directors believe that the Group's cooperation with Value Partners Group Limited, a leading investment fund house in Asia, will enhance the performance of the China Education Fund by combining the Group's experience in private higher and vocational education in China and the investment expertise of Value Partners Group Limited. During the current interim period, China Education Fund completed registration with relevant authorities and the Group made capital contribution amounting to RMB31,303,000 to the China Education Fund.

EVENTS AFTER THE REPORTING PERIOD

Partnership with Richmond, The American International University in London

On 31 March 2020, the Company announced entering into agreements to partner with Richmond, The American International University in London ("Richmond"). Through the partnership, the Group will share its global resources, expertise and capabilities to support Richmond to fulfill its global potential as well as its mission in providing high quality internationally focused education to future generations.

Established in 1972, Richmond is a university accredited to award both UK and US degrees. Richmond offers undergraduate and postgraduate programmes in London, UK to students. The programmes combine the essences of UK and US teaching, blending the American focus on the Liberal Arts and personal development, with the British emphasis on academic enquiry and professional development. Richmond is also recognised by the Ministry of Education of the PRC.

Our Effort in Combating COVID-19 and Results Achieved

In view of the outbreak of coronavirus disease 2019 ("COVID-19") in early 2020, the Group and its member schools have taken necessary health precaution such as postponing the start of the term to safeguard the safety of our employees and students. During the suspension of on-campus classes caused by the COVID-19 epidemic, the Group offers online learning to students and 96% of the programmes offered have been delivered online. Guangdong Baiyun University, a member school of the Group, was selected by the Steering Committee of the Online Open Courses of Undergraduate Universities in Guangdong Province (廣東省本科高校在線開放課程指導委員會) as an outstanding example of online teaching during the epidemic period, and the only private university among the first group of seven selected universities in Guangdong Province.

The Group will continue to closely monitor to the development of the COVID-19 situation and endeavor to minimise the effect on the operation and finance of the Group, and in the event of material adverse financial impact, the Group will announce in a timely manner and reflect it in the Group's 2019/2020 annual financial statements.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Group issued 520,202,000 new Shares (after partially exercising the over-allotment option in January 2018) at the issue price of HK$6.45 per Share in connection with the Listing. The net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing is amounted to approximately RMB2,725.7 million. As at 29 February 2020, the Company has utilised the net proceeds of approximately RMB2,702.9 million and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 5 December 2017. The unutilised net proceeds are placed in licensed financial institutions as short-term deposits.

The following sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 29 February 2020:

Purpose	**Percentage to total amount**	**Net proceeds amount**[(i)] *RMB (million)*	**Utilised amount** *RMB (million)*	**Unutilised amount** *RMB (million)*
Acquisition of or cooperation with other universities both domestically and abroad	59.50%	1,621.8	1,621.8	–
New campus development	26.90%	733.2	733.2	–
Repayment of certain portion of bank loans	8.00%	218.1	218.1	–
Working capital supplement	2.40%	65.4	65.4	–
Establishing teacher and staff training centre	1.10%	30.0	11.9	18.1
Research and development	1.10%	30.0	25.3	4.7
Provision of scholarships	0.50%	13.6	13.6	–
Maintenance, renovation and upgrading of existing schools	0.50%	13.6	13.6	–
	100%	2,725.7	2,702.9	22.8

Note:

(i) Net proceeds (including those from partial exercise of over-allotment option) after deducting underwriting commission and issuing expenses incurred from the Listing.

USE OF NET PROCEEDS FROM THE ISSUE OF CONVERTIBLE BONDS DUE 2024

The Company issued convertible bonds due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK$2,355 million at initial conversion price of HK$14.69 per ordinary Share in March 2019. During the six months ended 29 February 2020, the conversion price was adjusted from HK$14.69 per ordinary Share to HK$14.52 per ordinary Share. Following such adjustment, the conversion shares to be issued upon full conversion of the convertible bonds were increased to 162,190,082 Shares. The net proceeds (after deducting the issuing expenses) from the subscription amounted to approximately RMB2,105.6 million. As at 29 February 2020, the Company has utilised the net proceeds of approximately RMB1,107.2 million. The unutilised net proceeds are placed in licensed financial institutions as short-term deposits.

The following sets forth a summary of the utilisation of the net proceeds from the issue of convertible bonds due 2024:

Purpose	**Percentage to total amount**	**Net proceeds amount** *RMB (million)*	**Utilised amount** *RMB (million)*	**Unutilised amount** *RMB (million)*
Construction and development of the Group's schools in the PRC	30%	631.7	353.5	278.2
Acquisitions of schools in the PRC	45%	947.5	227.3	720.2
Group's overseas development	25%	526.4	526.4	–
	100%	2,105.6	1,107.2	998.4

EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As at 29 February 2020, the Group had 8,922 employees (28 February 2019: 7,230), a 23.4% increase mainly due to acquisition of three schools. The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

Remuneration policy of our schools is formulated under the guidance of the relevant laws and regulations of the local jurisdictions of our member schools and is also based on the industry characteristics as well as various market factors. Our member schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and workers, etc.) and position (entry-level, team lead, and manager, etc.). Schools participate in social insurance (pension, medical, unemployment, work injury and maternity insurance) plans under the guidance of relevant national, provincial, and municipality policies and provide a variety of benefits for employees.

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the MPF Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group in the PRC and Australia are members of a state-managed retirement benefits scheme operated by the national governments. Relevant employers are required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

Recruitment

The Group and its member schools follow the Labour Law, Labour Contract Law, Employment Promotion Law, Labour Dispute Mediation and Arbitration Law as well as other relevant laws and regulations of their respective local jurisdictions in the recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

Our schools recruit talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, human resources department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

We actively attract talents through contacting the target colleges, participating in talent recruitment fairs and industry conferences, and encourage employee referral through social media or various means. In addition, we provide pre-employment and on-the-job trainings such as assigning coaches (experienced teachers) for newly hired teachers to ensure they have faster and smoother transitions and integrations.

INTERIM DIVIDEND

The Board declared an interim dividend of HK13.4 cents per ordinary Share for the six months ended 29 February 2020 (for the six months ended 28 February 2019: HK3.5 cents) to be paid by cash on Friday, 22 May 2020, to Shareholders whose names appear on the register of members of the Company on Wednesday, 13 May 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 May 2020 to Wednesday, 13 May 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 8 May 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 29 February 2020.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 29 February 2020, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 29 February 2020.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors and its main duties are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 29 February 2020.

Deloitte Touche Tohmatsu, the Company's auditor, had carried out review of the unaudited interim results of the Group for the six months ended 29 February 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeducation.hk). The interim report of the Company for the six months ended 29 February 2020 will be despatched to the Shareholders and made available on the same websites in due course.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 29 February 2020

		Six months ended	
		29 February 2020	28 February 2019
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,315,222**	927,304
Cost of revenue		**(557,881)**	(390,906)
Gross profit		**757,341**	536,398
Other income		**45,475**	48,438
Investment income		**11,781**	11,337
Other gains and losses		**26,576**	(19,754)
Selling expenses		**(60,952)**	(24,803)
Administrative expenses		**(179,127)**	(174,532)
Finance costs		**(51,192)**	(33,066)
Profit before taxation		**549,902**	344,018
Taxation	*4*	**(8,718)**	(146)
Profit for the period	*5*	**541,184**	343,872
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of a foreign operation		**(24,550)**	–
Total comprehensive income for the period		**516,634**	343,872
Profit for the period attributable to:			
Owners of the Company		**497,625**	299,648
Non-controlling interests		**43,559**	44,224
		541,184	343,872
Total comprehensive income attributable to:			
Owners of the Company		**473,075**	299,648
Non-controlling interests		**43,559**	44,224
		516,634	343,872
Earnings per share	*7*		
Basic (RMB cents)		**24.63**	14.83
Diluted (RMB cents)		**22.27**	14.76

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 29 February 2020

	NOTE	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**6,544,188**	5,850,771
Right-of-use assets		**1,334,061**	–
Prepaid lease payments		**–**	1,051,059
Goodwill		**1,772,635**	1,565,905
Intangible assets		**2,251,855**	1,708,157
Contract costs		**91,818**	98,972
Prepayments for investment		**–**	73,837
Deposits paid for right-of-use assets/prepaid lease payments		**26,761**	1,181
Deposits paid for acquisition of property, plant and equipment		**25,346**	55,586
Other prepayment		**31,303**	–
Deferred tax asset		**27,157**	27,342
		12,105,124	10,432,810
CURRENT ASSETS			
Inventories		**1,112**	540
Trade receivables, deposits, prepayments and other receivables	*8*	**522,417**	570,868
Financial assets at fair value through profit or loss		**1,346,206**	660,283
Contract costs		**62,781**	52,675
Prepaid lease payments		**–**	24,998
Restricted bank deposits		**100,300**	100,300
Bank balances and cash		**1,322,367**	3,496,587
		3,355,183	4,906,251

	NOTE	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
CURRENT LIABILITIES			
Deferred income		**38,685**	38,364
Trade and bills payables	*9*	**26,867**	23,465
Other payables and accrued expenses		**1,514,647**	1,506,243
Provisions		**239,748**	238,292
Lease liabilities		**18,976**	–
Income tax payable		**27,193**	20,546
Contract liabilities		**1,326,181**	1,617,328
Bank and other borrowings		**107,520**	284,700
		3,299,817	3,728,938
NET CURRENT ASSETS		**55,366**	1,177,313
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,160,490**	11,610,123
NON-CURRENT LIABILITIES			
Deferred income		**28,493**	31,573
Other payables		**50,845**	22,943
Bank and other borrowings		**2,049,699**	1,838,127
Lease liabilities		**73,382**	–
Deferred tax liability		**727,189**	565,460
Convertible bonds		**2,113,897**	2,143,783
		5,043,505	4,601,886
		7,116,985	7,008,237
CAPITAL AND RESERVES			
Share capital		**17**	17
Reserves		**6,816,665**	6,594,526
Equity attributable to owners of the Company		**6,816,682**	6,594,543
Non-controlling interests		**300,303**	413,694
		7,116,985	7,008,237

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") and early adoption of Amendment to IFRS 3 "Definition of Business", the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 29 February 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 August 2019.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standard Board which are mandatory effective for the annual period beginning on or after 1 September 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC–23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle

In addition, the Group has early applied Amendments to IFRS 3 "Definition of a Business" which will be mandatorily effective for the Group for business combinations and asset acquisitions for which the acquisition is on or after 1 September 2020.

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17") and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of school premises, office premises and staff quarters that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the condensed consolidated statement of financial position.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

2.1.2 Transition and summary of effect arising from initial recognition of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 September 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 September 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of school premises and staff quarters in the PRC was determined on a portfolio basis; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

Other than the reclassification of prepaid lease payments of RMB1,076,057,000, the Group recognised lease liabilities of RMB41,551,000 and right-of-use assets of RMB41,551,000 as at 1 September 2019 by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is ranged from 5.45% to 6.00%.

	At 1 September 2019
	RMB'000
Operating lease commitments disclosed as at 31 August 2019	60,459
Add: Extension options reasonably certain to be exercised	6,720
Less: Recognition exemption – short-term leases	(7,053)
Practical expedient – lease with lease term ending within 12 months from the date of initial application	(7,957)
	52,169
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of IFRS 16 as at 1 September 2019	41,551
Analysed as	
Current	9,240
Non-current	32,311
	41,551

The carrying amount of right-of-use assets as at 1 September 2019 comprises the following:

		Right-of-use assets
	Note	*RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		41,551
Reclassified from prepaid lease payments	*(i)*	1,076,057
		1,117,608
By class:		
Leasehold lands		1,088,246
Office premises, student dormitories and staff quarters		29,362
		1,117,608

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 September 2019. Line items that were not affected by the changes have not been included:

	Note	Carrying amounts previously reported at 31 August 2019	Adjustments	Carrying amounts under IFRS 16 at 1 September 2019
		RMB'000	*RMB'000*	*RMB'000*
Non-current Assets				
Prepaid lease payments	*(i)*	1,051,059	(1,051,059)	–
Right-of-use assets		–	1,117,608	1,117,608
Current Asset				
Prepaid lease payments	*(i)*	24,998	(24,998)	–
Current Liability				
Lease liabilities		–	9,240	9,240
Non-current Liability				
Lease liabilities		–	32,311	32,311

Note:

(i) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 August 2019. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB24,998,000 and RMB1,051,059,000 respectively were reclassified to right-of-use assets.

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 29 February 2020, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 September 2019 as disclosed above.

2.2 *Impacts and changes in accounting policies of application of other new and amendments to IFRSs*

Impacts and changes in accounting policies of application on IFRIC-23 "Uncertainty over Income Tax Treatments"

IFRIC-23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application, 1 September 2019, without restating comparatives. No adjustment has been made at the date of initial application.

Although the Implementation Rules for the Law for Promoting Private Education (the "**Implementation Rules**") has been announced, details underlying the Implementation Rules has not been finalised, the educational institutions of the Group in the PRC have not yet elected to be for-profit or not-for-profit schools, there will be uncertainty whether the schools could continue to follow previous PRC Enterprise Income Tax ("EIT") exemption treatment for the tuition related income, when facts and circumstances change or new information become available. The current tax having considered the current income tax exemption granted for tuition related income from relevant local tax authorities represented the most likely amount. The management would reassess any judgements and estimates if the facts and circumstances change or new information becomes available.

Amendments to IFRSs Annual Improvements to IFRSs 2015–2017 Cycle

IAS 23 "Borrowing Costs"

For any specific borrowing that remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that the Group borrows generally when calculating the capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The application of the amendments to IAS 23 in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements.

2.3. Early adoption of Amendments to IFRS 3 "Definition of a Business"

In the current interim period, the Group has elected to early adopt Amendments to IFRS 3. The Group has applied the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 September 2019.

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group has performed concentration test for certain acquisition being accounted for as an asset acquisition.

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher and vocational education institution services.

Revenue represents services income from tuition, boarding fee and ancillary services, each being single performance obligations.

Information reported to the Group's chief operating decision maker ("CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the categories of education institution, namely higher education and vocational education. Higher education institutions mainly deliver master's degree programmes, bachelor's degree programmes, junior college diploma programmes and continuing education programmes in the PRC and overseas. Vocational education institutions mainly deliver vocational diploma programmes and technician diploma programmes. Each category of institution constitutes an operating segment and reportable segment in the PRC.

In prior periods, each category of institution constituted an operating segment. The services provided and type of customers were similar in each operating segment, and each operating segment was subject to similar regulatory environment. Accordingly, the segment information was aggregated as a single reportable segment.

During the year ended 31 August 2019, upon acquisitions of certain higher education institutions, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments from a single reportable segment to two reportable segments, namely, higher education segment and vocational education segment. In addition, during the current interim period, upon the acquisition of King's Own Institute ("KOI"), a higher education institution incorporated in Australia, the Group commenced the business engaging in provision of global education service in jurisdiction other than the PRC. The new business is considered as a new operating and reporting segment, namely Global Education segment.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Higher education *RMB'000*	**Vocational education** *RMB'000*	**Global education** *RMB'000*	**Total** *RMB'000*
For the six months ended 29 February 2020 (unaudited)				
Revenue	**872,405**	**374,867**	**67,950**	**1,315,222**
Segment results	**389,076**	**183,557**	**16,954**	**589,587**
Investment income				**11,781**
Other gains and losses				**26,576**
Finance costs				**(51,192)**
Unallocated corporate income and expenses				**(26,850)**
Profit before taxation				**549,902**

	Higher education *RMB'000*	Vocational education *RMB'000*	Total *RMB'000*
For the six months ended 28 February 2019 (unaudited) (Note)			
Revenue	599,099	328,205	927,304
Segment results	298,687	151,572	450,259
Investment income			11,337
Other gains and losses			(19,754)
Finance costs			(33,066)
Unallocated corporate income and expenses			(64,758)
Profit before taxation			344,018

Note: Prior period segment disclosures have been represented to conform with the current period's presentation.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of investment income, other gains and losses, finance cost and central administrative expenses.

Revenue from major services

The following is an analysis of the Group's revenue by types of services:

	Higher education ***RMB'000***	**Vocational education** ***RMB'000***	**Global education** ***RMB'000***	**Total** ***RMB'000***
For the six months ended 29 February 2020 (unaudited)				
Tuition fees recognised over time	**801,235**	**327,535**	**67,950**	**1,196,720**
Boarding fees recognised over time	**58,731**	**30,708**	**–**	**89,439**
Ancillary services recognised over time	**12,439**	**16,624**	**–**	**29,063**
	872,405	**374,867**	**67,950**	**1,315,222**

	Higher education RMB'000	Vocational education RMB'000	Total RMB'000
For the six months ended 28 February 2019 (unaudited)			
Tuition fees recognised over time	551,710	297,124	848,834
Boarding fees recognised over time	40,684	27,388	68,072
Ancillary services recognised over time	6,705	3,693	10,398
	599,099	328,205	927,304

Geographical information

The Group operates in the PRC and Australia (for the six months ended 28 February 2019: in the PRC).

Information about the Group's revenue from customers is presented based on the location of operations and the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from customers Six months ended		**Non-current assets *(Note)***	
	29 February 2020 ***RMB'000*** **(unaudited)**	**28 February** 2019 *RMB'000* (unaudited)	**29 February 2020** ***RMB'000*** **(unaudited)**	**31 August** 2019 *RMB'000* (audited)
The PRC	**1,247,272**	927,304	**11,252,079**	10,405,468
Australia	**67,950**	–	**822,240**	–
Hong Kong	**–**	–	**3,648**	–
	1,315,222	927,304	**12,077,967**	10,405,468

Note: Non-current assets excluded deferred tax assets.

4. TAXATION

	Six months ended	
	29 February 2020 ***RMB'000*** **(unaudited)**	28 February 2019 *RMB'000* (unaudited)
Current tax		
— EIT	**(6,602)**	(3,015)
— Australian Corporate Income Tax	**(6,497)**	–
Deferred tax	**4,381**	2,869
	(8,718)	(146)

5. PROFIT FOR THE PERIOD

	Six months ended 29 February 2020 RMB'000 (unaudited)	Six months ended 28 February 2019 RMB'000 (unaudited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting) the following items:		
Staff costs, including directors' remuneration		
— salaries and other allowances	**329,622**	245,310
— retirement benefit scheme contributions	**52,153**	36,157
— (net reversal of) expense of share-based payments *(Note)*	**(8,806)**	26,331
Total staff costs	**372,969**	307,798
Depreciation of property, plant and equipment	**126,080**	86,869
Depreciation of right-of-use assets	**23,517**	–
Amortisation of prepaid lease payments	**–**	9,306
Amortisation of intangible assets	**10,618**	19,366
Minimum operating lease rental expense in respect of rented premises	**–**	12,366
Expense relating to short term leases and other leases with lease terms end within 12 months from the date of initial application of IFRS 16	**7,991**	–
Interest income from banks	**(11,781)**	(10,592)
Interest income from loan receivable	**–**	(745)

Note: The amount for the six months ended 29 February 2020 includes reversal of HK$28,925,000 previously recognised share options expenses due to revision of estimate on the number of share options to be vested.

6. DIVIDENDS

During the current interim period, the Company recognised the following dividend as distribution:

	Six months ended 29 February 2020 RMB'000 (unaudited)	Six months ended 28 February 2019 RMB'000 (unaudited)
Final dividend for the year ended 31 August 2019 of HK9.0 cents (for the six months ended 28 February 2019: HK7.4 cents final dividend for the eight months ended 31 August 2018) per ordinary share	**161,080**	127,874

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK13.4 cents per ordinary share amounting to HK$270,707,000 in aggregate (for the six months ended 28 February 2019: HK3.5 cents per ordinary share amounting to HK$70,707,000) will be paid to the owners of the Company whose names appear in the register of members on Wednesday, 13 May 2020.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of calculating basic earnings per share	**497,625**	299,648
Effect of dilutive potential ordinary shares:		
Fair value change and exchange difference on convertible bonds	**(8,613)**	–
Profit for the period attributable to owners of the Company for the purposes of calculating diluted earnings per share	**489,012**	299,648

	Six months ended	
	29 February 2020	28 February 2019
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,020,202**	2,020,202
Effect of dilutive potential ordinary shares:		
Share options granted under pre-IPO Share Option Scheme	**13,501**	9,344
Convertible bonds	**162,190**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,195,893**	2,029,546

The computation of diluted earnings per share for the six months ended 29 February 2020 does not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme as the exercise price of those options was higher than the weighted average market price for shares for the period.

8. TRADE RECEIVABLES AND RECEIVABLES FROM EDUCATION BUREAUS

The following is an analysis of trade receivables and receivables from education bureaus, net of allowance for credit losses, by age, presented based on debit note.

	At 29 February 2020 *RMB'000* **(unaudited)**	At 31 August 2019 *RMB'000* (audited)
0–90 days	**–**	561
91–120 days	**64,204**	–
121–365 days	**17,889**	19,667
Over 365 days	**7,623**	7,705
	89,716	27,933

9. TRADE AND BILLS PAYABLES

The credit period granted by suppliers and bills payables on purchase of consumables and provision of services ranged from 30 days to 60 days.

The following is an aged analysis of trade and bills payables presented based on invoice date at the end of reporting period.

	At 29 February 2020 *RMB'000* **(unaudited)**	At 31 August 2019 *RMB'000* (audited)
0–30 days	**10,899**	6,540
31–90 days	**5,486**	6,082
91–365 days	**2,833**	6,808
Over 365 days	**7,649**	4,035
	26,867	23,465

10. CAPITAL COMMITMENTS

As at the end of the current interim period, the Group was committed to acquire property, plant and equipment and right-of-use assets/prepaid lease payments mainly for the construction of new campus amounting to RMB217,795,000 (31 August 2019: RMB370,334,000).

The Group committed to make an initial contribution of RMB250,000,000 to 惠理華教(深圳)股權投資合夥企業(有限合夥) (formerly known as 惠理中教(深圳)教育產業投資(有限合夥)) (the "China Education Fund"), up to 29 February 2020, the Group made capital contribution amounting to RMB31,303,000 to the China Education Fund.

11. ACQUISITION OF BUSINESSES

(a) Acquisition of a business during the six months ended 29 February 2020

On 16 October 2019, the Group completed the acquisition of 100% of issued shares of Aspen Higher Education Pty Ltd ("Aspen") at a consideration of AUD134,300,000 (equivalent to RMB638,677,000) from independent third parties. Aspen and its wholly-owned subsidiary, Australian Institute of Business and Management Pty Ltd (trading as King's Own Institute) ("KOI"), are engaged in provision of higher education in Australia. Aspen and KOI became wholly-owned subsidiaries of the Company.

Details of the acquisition were set out in the announcements of the Company dated 23 September 2019 and 16 October 2019.

(b) Acquisition of a subsidiary accounted for as asset acquisition during the six months ended 29 February 2020

On 25 December 2018, Renjing Education Consulting (Ganzhou) Company Limited (仁敬教育諮詢(贛州)有限公司) ("Renjing Education"), a consolidated affiliated entity, entered into a series of agreements (collectively referred to as the "Haijun Acquisition Agreements") with independent third parties for the acquisition of aggregate 96.7% equity interest of Yantai Haijun Property Limited (煙台海郡置業有限公司) ("Yantai Haijun"), at cash consideration of RMB246,127,000 and the acquisition was completed on 25 November 2019. Subsequently, the Group acquired the remaining 3.3% equity interest at cash consideration of RMB8,423,000. Considerations has been fully paid and the Group has obtained control during the current interim period. As at the date of acquisition, Yantai Haijun did not have significant business process except for holding certain lands and completed properties in Yantai, Shandong Province. The acquisition of Yantai Haijun has been accounted for by the Group as acquisition of assets.

12. EVENT AFTER THE END OF THE REPORTING PERIOD

In view of the outbreak of coronavirus disease 2019 ("COVID-19") in early 2020, the Group and its member schools have taken necessary health precaution such as postponing the start of the term to safeguard the safety of our employees and students. During the suspension of on-campus classes caused by the COVID-19 epidemic, the Group offers online learning to students.

Given the effective and smooth implementation of the online teaching work plan, the management of the Group considers the COVID-19 epidemic has no material adverse impact on the financial position and result of the Group for the six months ended 29 February 2020 and up to the date of this announcement.

The Group will continue to closely monitor to the development of the COVID-19 situation and endeavor to minimise the effect on the operation and finance of the Group, and in the event of material adverse financial impact, the Group will announce in a timely manner and reflect it in the Group's 2019/2020 annual financial statements.

DEFINITIONS

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AUD"	Australian dollars, the lawful currency of Australia

"Baiyun Technician College"	Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)), one of our PRC member schools
"Board"	the board of directors of the Company
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Chongqing Translators University"	Chongqing Nanfang Translators College of Sichuan International Studies University (四川外國語大學重慶南方翻譯學院), one of our PRC member schools
"Company"	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"consolidated affiliated entities" or "consolidated affiliated entity"	the entities we control through the Contractual Arrangements
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Huajiao Education, Mr. Yu, Mr. Xie and the relevant consolidated affiliated entities
"Director(s)"	the director(s) of the Company
"Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time
"Guangdong Baiyun University"	Guangdong Baiyun University (廣東白雲學院), one of our PRC member schools
"Guangzhou Songtian University"	Guangzhou University Songtian College (廣州大學松田學院), one of our PRC member schools
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Huajiao Education"	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Independent Third Party(ies)"	any entity(ies) or persons who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"Jiangxi University of Technology"	Jiangxi University of Technology (江西科技學院), one of our PRC member schools
"King's Own Institute" or "KOI"	Australian Institute of Business and Management Pty Ltd (trading as King's Own Institute), a company incorporated in New South Wales, Australia and our member school in Australia
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	15 December 2017, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Mr. Xie"	Mr. Xie Ketao (謝可滔), an executive director, co-chairman of the Company and a controlling shareholder of the Company
"Mr. Yu"	Mr. Yu Guo (于果), an executive director, co-chairman of the Company and a controlling shareholder of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Shandong Quancheng University"	University of Jinan Quancheng College (濟南大學泉城學院), one of our PRC member schools
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary shares in our Company of par value HK$0.00001 each

"Songtian Polytechnic College"	Guangzhou Songtian Polytechnic College (廣州松田職業學院), one of our PRC member schools
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
"VP Shenzhen"	Value Partners Private Equity Investment Management (Shen Zhen) Limited (惠理股權投資管理(深圳)有限公司), a company established in the PRC and a wholly-owned subsidiary of Value Partners Group Limited
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars"	United States dollars, the lawful currency of the United States
"Xi'an Railway College"	Xi'an Railway Technician College (西安鐵道技師學院), one of our PRC member schools
"Zhengzhou Transit School"	Zhengzhou City Rail Transit School (鄭州城軌交通中等專業學校), one of our PRC member schools
"%"	per cent

The English names of the PRC entities, PRC laws or regulations, PRC awards/accreditations, and the PRC governmental authorities referred to in this announcement are merely translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

By order of the Board
China Education Group Holdings Limited
Yu Guo　　Xie Ketao
Co-Chairmen

Hong Kong, 22 April 2020

As at the date of this announcement, the executive directors of the Company are Mr. Yu Guo, Mr. Xie Ketao, Dr. Yu Kai and Ms. Xie Shaohua, and the independent non-executive directors of the Company are Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Wu Kin Bing.